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Convenience pulls customers to drug store card depts.—p. 40

DRUG STORE NEWS

Vol. 8/No. 12 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. May 26, 1986

New suitor on horizon?

Rumors stalk Revco buyout

By Dave Vaczek

TWINSBURG, Ohio — The proposed leveraged buyout of Revco by the company's management was plunged into uncertainty amid rumors that a competing bid would likely emerge.

Speculation that a new suitor for Revco might be preparing an offer sent the chain's stock soaring almost four points above the standing bid of $36 a share. Wall Street analysts, however, were skeptical that anyone would pay the current price.

Revco stock jumped as high as 39⅝ on May 6 in the wake of a report that the Dart Group had unsuccessfully proposed to join the $1.16 billion buyout. Speculation that the Haft family, Dart Group's owners, will now respond with their own offer added impetus to the stock price, which closed May 9 at 39. The price has climbed steadily from its $32 level at the time of the March 18 LBO offer, under heavy trading. Wall Street analysts said arbitrageurs account for most of the trading, as they believe an enhanced offer is a likely prospect, either from a different suitor, such as the Hafts, or a new offer by the management group. Jamie Securities, a New York securities firm, reported in a filing with the Securities and Exchange Commission that it acquired a 7.3% interest in Revco for arbitrage purposes.

"The stock's not worth $36

See **Revco,** *page 54*

Walgreens eyes Northeast push

Medi Mart takeover seen as wedge

By Al Heller

DEERFIELD, Ill. — Walgreens will use its imminent takeover of 66 Medi Mart sites to set up a New England network and combine it with added stores in New York to form a Northeastern marketing umbrella.

The acquisition, estimated by Wall Street sources at $75 million, is due to be concluded by July 1.

The nation's No. 1 chain reportedly beat out CVS, Rite Aid, Supermarkets General and American Stores' Osco—all operating in that region—in a bidding war. Market sources said CVS president Harvey Rosenthal felt so close to acquiring the chain that he nearly canceled his trip to this month's NACDS convention, though he wouldn't confirm or deny this. Adams reportedly had no interest because Medi

See **Walgreens,** *page 54*

Founder Jack Eckerd (right) and ceo Stewart Turley (center) reminisce with Delos Penney, a shareholder present at Eckerd's first public meeting in 1961.

Eckerd LBO approved

TAMPA, Fla. — Jack Eckerd Corp. shareholders overwhelmingly approved the leveraged buyout of Eckerd by an investment group led by Merrill Lynch Capital Partners and members of management.

At the annual shareholders' meeting held at the Airport Marriott Hotel here, shareholders voted to accept the cash offer of $33 a share of common stock, or a total of more than $1.2 billion. It was the largest sum ever paid for a pure drug chain.

Stewart Turley, chairman and ceo, told reporters after the meeting that the transition of Eckerd from public to private company would not have any effect on"the way we run our stores."

But he did say that the change would help to alleviate the "diversionary" pressures of having to "look over our shoulder to see if some predator is after us." He said that factor was especially important to "the people in our stores for whom last year's move by the Dart Group to put Eckerd "in play" by acquiring 5% of its stock was "distressing." A company is said to be put in play when a hostile offer forces its sale either to the hostile bidder or a "white knight" at a premium price.

Turley also said that the company had "no specific plans" to sell off stores to help pay down the debt incurred in the leveraged buyout. "This is a cash-

See **Eckerd,** *page 54*

Three acquisitions stretch Alco's Eastern market

By Marjorie Shaffer

VALLEY FORGE, Pa. — Alco Health Services is tightening its grip on the Eastern market with a series of acquisitions in contiguous marketing areas stretching from Florida to Michigan.

Since the company became public in August 1985, Alco has acquired three regional wholesalers that primarily operate in states east of the Mississippi River. The takeovers increase Alco's revenues to more than $1.3 billion annually and place it in a strong position to overtake FoxMeyer as the third largest wholesaler in the country.

Alco now operates in 24 Midwestern, Southeastern and Eastern states, from 26 warehouses. It is not active in the Southwest, the West Coast, and New England—all of which are regions in the United States where the cash-rich Alco will likely cast its net in the future.

The agreement to buy L. S. DuBois Son and Co. for an undisclosed amount of cash and

See **Alco,** *page 54*

Freddy's unveils another deep discount unit in Fla. See page 15

Drugs returned to market after public outcry See page 47

New pillboard refills the bill

Drug Emporium's sign gets facelift

PHOENIX — Drug Emporium of Arizona is remaking its image on the road.

An update of its billboard here (above), judged the nation's best in retail and winner of the 1985 Obie Award, is set for this month.

The capsule sign will become a prescription vial (below) with a longer sell message that can still be conveyed in the 2.5 seconds it takes a car traveling 60 miles an hour to pass.

Both signs were created for the deep discounter's oldest independent franchise by the Boyd & Farmer agency. The winning sign has been up since last

See **Pillboard,** *page 54*

Thrift joins Acme in frequent buyer promo

PHILADELPHIA — Thrift Drug has teamed up with American Stores' Acme supermarkets for a 6-month-long joint promotional program to run through late summer in the Greater Philadelphia Area.

Acme isn't necessarily relinquishing its H&BA business by sending customers to Thrift, as the customers must first visit the Acme stores where coupons are issued. Thrift, which may be losing some traffic to Acme, expects to make up for it as a result of the grocery customer business channeled its way via Acme, and the sales gains resulting from the programs' strong advertising umbrella.

And if Thrift didn't participate, it risked seeing another drug chain pick up the promotional traffic.

Participating Thrift stores in Pennsylvania, New Jersey, New York, Maryland and Delaware are offering $1 off each purchase of $10 or more, plus additional bonuses, as part of the "frequent buyer" program.

Thrift is involving 150 stores in the promotion, but is just one of 2,000 retailers participating with 300 Acme stores, which is heading the program organized by Food World of Atlanta. Acme issues coupons to be pasted in a book and redeemed for discounts at "associate" stores.

Food World's last major frequent-buyer promotion was in Houston last year, where Eckerd was one of nine retailers to accept coupon books from Rice Food Markets shoppers.

Acme stores give a customer one book's worth of coupons with the purchase of $40 in groceries. Besides the $1 discount, Thrift is offering a free 12-week supply of calcium tablets and private-label Treasury paper towels as additional bonuses. Food World redeems a percentage of the lost income from the markdown.

The market-share-building program should boost each store's sales during the promotion, said George Vickerman, Food World executive vp.

Acme should draw new customers who already shop at the associate stores. The associate stores pick up Acme's large traffic counts, and are included in ads placed by Food World. Media include television, newspaper circulars and ads, in-store signage, and coupon books.

A Thrift manager in New Jersey adjacent to an Acme said the store was receiving 20 to 50 coupon books a week, but that it was difficult to gauge sales because the store was already ahead of last year's pace.

NEWS IN BRIEF

McKesson O.K.'s shareholder rights

SAN FRANCISCO — McKesson Corp. said its board adopted a shareholder rights plan to block any hostile takeover attempts.

The plan calls for the distribution of preferred stock purchase rights as a dividend at the rate of one right for each common share held as of May 29. The plan "is designed to deter coercive or unfair takeover tactics and to prevent a buyer from gaining control of the company without offering a fair price to all" shareholders. The rights expire May 29, 1996.

"The plan is not intended to prevent an acquisition" based on "favorable and fair" terms to all holders, said chairman and ceo Neil E. Harlan.

In an unrelated matter, McKesson has entered a joint venture with Provigo Health and Pharmaceutical Group of Montreal to distribute home health care equipment and supplies in Canada.

Cardinal buys Daly stock

DUBLIN, Ohio — Cardinal Distribution has completed its purchase of James W. Daly stock and has agreed to lease Daly's distribution center in Peabody, Mass., from a private real estate partnership made up of Daly family members.

Plans call for Daly to continue operating as a separate entity under its own name and for current management to stay.

Thrifty acquires The Guild

LOS ANGELES — Thrifty Corp. completed its acquisition of The Guild, its three subsidiaries and all other interests. The Guild operates 13 Guild Drug stores in Los Angeles and Orange counties.

Thrifty's new drug chain, Thrifty Jr., will operate a total of 27 Guild Drug and recently acquired Drug King stores under the Thrifty Jr. banner. New stores to be added in coming months are expected to raise the roster of Thrifty Jr. stores to 40 by year's end, the company said.

In a separate matter, Thrifty became the latest major drug chain to pull adult magazines *Playboy, Penthouse* and *Playgirl* from all stores. The corporation runs 555 Thrifty drug and discount stores and 27 Thrifty Jr. drug stores.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

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Vol. 8, No. 12 May 26, 1986

Associated/Affiliated meet in NY

NEW YORK — Merchants from nearly 100 drug chains were preparing to attend the combined Associated/Affiliated spring buying show at the Omni Park Central Hotel here.

The show runs from May 19-22 and is scheduled to include exhibits from about 115 vendors showing 450-500 general merchandise lines. Health & beauty aids and cosmetics also are to be displayed.

First-time exhibitors this spring include North American Phillips, RCA, Pennzoil and Sergeant's Pet Care.

On Monday, May 19, Associated Chain Drug Stores has its membership meeting, chaired by Bill Saxon, vp at L. F. Widmann. Presentations that afternoon concern importing, photo merchandising, creating an in-store radio network and small store merchandising.

That same day, Affiliated holds its traditional "What's good with you" session, during which members present about 200 different merchandise items and ideas that have been successful in recent months.

Also scheduled is a panel discussion about buying plans for the fall and a presentation on H&BA and cosmetics.

Drug Store News pharmacy editor Harold Cohen moderates an afternoon panel on competing against HMOs and PPOs.

On Tuesday, May 20, at the Omni, Associated members may visit exhibitors on the fourth floor, and Affiliated members may see vendors on the fifth floor. That's reversed on Wednesday, May 21. On Thursday, May 22, the two floors are open to both.

Affiliated is also hosting a separate show for its members during the prior three days, May 16-18, at its 15 E. 26th St. offices.

Chains merchandise Expo '86

VANCOUVER, B.C. — London Drugs Ltd., is underscoring its health commitment by spending an estimated $250,000 to sponsor seven first aid stations at Expo '86 during its 165-day run through October.

The only reference to London is the chain logo, identifying its sponsorship.

Of the nearly 20,000,000 visitors expected for Canada's World Fair here, up to 70,000 are anticipated to require medical help.

The first-aid stations have three physicians, six registered nurses, seven emergency vehicles and three ambulances.

"We don't expect any long-range benefits from visitors outside British Columbia," said Mark Nussbaum, senior vp of London, "but we're hoping the good will will rub off on British Columbia residents. However, our No. 1 goal is to reduce the number of deaths. Statistics of previous World Fairs reveal an average of 27 people die from heart attacks [usually induced by physical exertion] during each event. The way our services are organized, we feel that no more than five will die. What better way to make this event meaningful from a health service standpoint than to save 22 lives?"

Meanwhile, Shoppers Drug Mart, with 63 stores in British Columbia, is taking a different tack by sponsoring parking and traffic information (every four minutes) on two radio stations. Shoppers stores are also offering free parking maps that show the location of all of the parking lots in the city.

Pharmasave, a 90-store British Columbia-based drug chain, got on the promotional bandwagon early be giving away 400 tickets six months before Expo started.

Drug stores in the Vancouver area are expecting a bonanza in volume during the 165-day event, which began in May. Although drug retailers won't make any specific projections, they point to these positive indicators:

- Fifty-four countries are participating—twice the number of the two previous World Fairs (Knoxville, Tenn., in 1982 and New Orleans in 1984).
- Twenty-two million tickets have been sold and more than 130,000 daily visitors are expected.
- Expo '86 is the first major fair in North America in which the United States, the Soviet Union, and China are taking part.

Simon Parry, marketing manager of Boots Drug Stores, predicted: "It will be a staggering success—the most successful Worlds Fair of all time."

Still, none of the glowing statistics are being converted to blockbuster promotions—because drug store operators don't want to "eat" carryover after this one-time event.

Peoples' park promos target their consumers

ALEXANDRIA, Va. — A big difference exists between drug chain efforts to tie into special events such as Vancouver Expo and the Peoples Drug Stores program to run promotions at Hersheypark in Pennsylvania and Kings Dominion in Richmond, Va.

People's sponsorship of first aid stations at both parks mostly reaches families who live in their markets; the others are more one-shop exposures to transients who visit from many parts of the globe.

Peoples spokesman Joe Pollard said its sponsorship "fosters our health image and is a minor part of our promotional budget." Further, it ties into half-price tickets to both parks distributed in Peoples stores, special admission rates for chain employees to both parks and provides additional outlets for use of Peoples private-label merchandise.

The chain's latest four-week-long ticket promo generated "more than 10,000 half-price coupons," Pollard said.

FINANCIAL

Alco Health 2nd quarter net earnings rise 36%

VALLEY FORGE, Pa. — Alco Health Services Corp. reported 36% higher net earnings and a 29% gain in revenues in its second quarter ended March 31.

Net income rose to $3.3 million in the period, up from $2.4 million a year earlier, on revenues of $300.5 million, up from $232.3 million.

Six-month gains were comparable on a percentage basis. Net income rose 29% to $7.6 million, up from $5.8 million in the year earlier half. Revenues were up 27% to $586 million, from $461 million in the comparable period a year ago.

President Joseph B. Churchman said profit margins "continued to be under some pressure," but that the first half "was consistent with the business plan," and fiscal 1986 results should be "well ahead of 1985."

McKesson sales, net up

SAN FRANCISCO — McKesson Corp. reported gains in revenues and net income for the fiscal year and fourth quarter ended March 31.

Full-year revenues rose to $6.3 billion, up from $4.9 billion in the prior year.

Net income for the full year climbed to $77.9 million from $64.2 million in the prior fiscal year.

The distributor's fourth-quarter net income rose 32%, to $19.8 million, from $15 million a year ago.

Bindley has 39% 1st-quarter income rise

INDIANAPOLIS — Bindley Western Industries reported 39% higher net earnings on a 9% sales gain in the first quarter ended March 31.

Sales rose to $168 million, up from $154 million in the same quarter a year earlier. Net earnings climbed to $1.71 million, from $1.23 million in the comparable 1985 quarter.

Approximately $1.9 million in expenses included $150,000 of unusual items related to grand jury investigations.

Med Shoppe has 2nd qtr. net gain

ST. LOUIS — Medicine Shoppe International reported a 22% net earnings rise, to $847,870 from $697,084 a year earlier, in the second quarter ended March 31.

For the six months, net income climbed 18% to $1.65 million from $1.40 million a year earlier.

Meantime, retail sales at franchised pharmacies were up 23% in the second quarter to $64.3 million, compared with $52.1 million last year.

Six-month sales were up 22% to $125.4 million, compared with $103.1 million in the comparable 1985 period.

From 04/18/86 - 05/05/86

Name	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt		5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	61.75	57.25	57.75	-3.88	-6.29	68.25	52.13	-.18	-.02	-.64	4.51	4.11	-1.60 F	-28.0	30.0	1.1	14.1	.84	1.5	03-24-86	13889.5	154.5	1.2	37.93	21.40
Begley Co	BGLY	21.50	21.50	21.50	.00	.00	23.50	15.50	-.16	.24	2.17	-61.06	1.26	.50 N	42.7	10.0	1.1	12.9	.72	3.3	04-15-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.50	15.13	16.25	1.88	13.04	19.50	12.63	.40	-.22	2.30	8.47	.61	-.07 F	-10.3	21.0	2.3	26.6	.00	.0	09-21-83	175.4	4.0	2.3	1.20	4.58
Drug Sys	DRGS	5.50	5.00	5.25	-.25	-4.55	6.13	3.75	.19	.96	.83	15.50	.35	-.97 N	-100.0	NC	1.2	NE	.50	9.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	33.00	32.75	33.00	.13	.38	33.00	22.38	.07	.31	-2.18	-85.05	-.22	-3.13 S	-100.0	NC	-.3	NE	1.04	3.2	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.50	10.00	10.38	.00	.00	11.75	8.00	-.22	.12	-1.90	-.48	.20	-.42 F	-67.7	21.0	.6	51.9	.20	1.9	03-21-86	445.1	2.8	1.8	1.65	4.28
Genovese Drug	GDX	15.00	13.25	14.63	1.13	8.33	15.00	9.13	.14	.67	1.68	24.80	.73	-.30 F	-29.1	39.0	1.2	20.0	.20	1.4	04-08-86	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	35.38	30.50	33.00	-2.25	-6.38	35.38	24.75	.22	-.06	-2.97	4.91	1.74	-.14 F	-7.4	8.0	2.5	19.0	.72	2.2	02-26-86	1480.8	37.7	1.9	.00	13.33
Medicare Glaser	MGCO	4.25	3.75	4.00	-.50	-11.11	5.25	3.75	-.23	-.95	4.52	30.16	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	26.00	24.50	26.00	1.13	4.52	26.00	21.00	.00	.82	-3.57	-11.53	.84	.14 S	18.2	47.0	22.4	28.6	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	18.63	17.00	17.75	.63	3.65	18.75	12.59	.39	-.18	1.50	4.39	.98	.18 Q	22.2	16.0	1.8	17.9	.22	1.2	02-20-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	39.63	36.75	39.63	2.63	7.09	39.63	23.13	.42	1.64	4.52	54.58	1.06	-1.01 N	-51.3	-6.0	1.6	41.3	.80	2.0	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	31.75	30.00	31.50	-.25	-.79	32.25	21.50	.08	.36	.57	.69	1.52	-.17 F	-10.1	8.0	4.0	20.7	.58	1.8	04-14-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	27.88	24.75	26.00	-1.25	-4.59	29.88	18.13	-.51	.05	-.40	-9.89	1.60	.13 S	8.6	16.0	2.3	15.8	.64	2.5	05-05-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	36.38	32.63	34.38	-.50	-1.43	36.38	22.50	.05	-.35	-.16	20.54	1.53	.14 S	9.4	19.0	3.0	21.1	.50	1.5	05-15-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Alco Hlth	AAHS	24.88	23.50	24.88	1.13	4.74	24.88	12.75	.22	.24	-2.56	20.11	1.10	1.19 S	NC	NC	1.4	20.9	.00	.0	00-00-00	955.4	13.0	1.7	.07	8.38
Bergen Bruns	BBCA	32.38	30.50	30.88	-1.13	-3.52	37.25	24.50	-.39	.08	.67	16.61	1.82	.20 S	12.4	14.0	1.0	17.1	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.88	10.38	11.75	.75	6.82	15.00	7.75	-.21	.56	5.02	-8.77	.79	.10 Q	13.2	21.0	.8	13.7	.00	.0	05-01-85	626.9	5.2	2.3	8.51	6.30
Cardinal Distrb	CDIC	24.50	23.00	23.25	-1.25	-5.10	25.25	14.22	-.36	.13	2.54	-20.19	.92	.42 N	46.7	NC	1.2	17.6	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.00	13.88	14.00	-.25	-1.75	15.25	9.25	-.35	.42	-5.32	10.53	.78	.01 Q	1.3	12.0	1.4	17.5	.16	1.1	05-19-86	427.1	6.1	2.7	5.30	6.69
Ketchum	KCH	20.38	18.50	19.00	-1.00	-5.00	23.25	14.44	-.24	.24	-2.20	5.98	.56	-.01 N	-2.2	NC	.2	43.2	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	59.25	54.75	55.38	-2.13	-3.70	61.25	42.50	-.34	-.21	-2.01	-14.27	3.96	.36 F	10.0	.0	1.2	14.0	2.40	4.3	02-25-86	6285.0	77.9	1.5	12.99	30.40
Moore Med	MMD	20.88	19.50	19.75	.13	.64	24.25	13.66	-.61	-.20	-.15	17.84	1.45	.43 F	42.2	17.0	2.5	13.6	.00	.0	05-23-85	147.9	3.7	3.3	2.45	5.25
Owens & Minor	OBOD	18.38	17.50	18.13	.13	.69	20.25	12.84	-.50	.04	1.69	-4.61	1.14	.10 Q	9.7	16.0	1.2	16.0	.28	1.5	03-14-86	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																										
Abbott Labs	ABT	91.50	84.38	87.38	-3.75	-4.12	91.88	52.00	.16	-.09	-1.10	10.00	3.88	.61 Q	17.6	17.0	13.8	21.5	1.68	1.9	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	88.38	81.75	82.00	-4.88	-5.61	88.38	54.75	.27	-.56	-.02	6.27	4.70	.36 Q	8.1	10.0	15.3	17.0	3.10	3.8	02-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	19.75	18.13	18.75	-.50	-2.60	19.75	12.38	-.03	-.03	-1.31	8.24	.85	.64 F	304.8	-14.0	5.8	22.1	.40	2.1	03-11-86	2355.0	137.0	1.9	12.21	9.86
Block Drugs Co	BLOCA	24.00	22.25	24.00	1.50	6.67	26.25	15.06	-.06	.13	2.16	-11.89	1.70	.22 N	13.6	12.0	10.5	13.0	.50	2.1	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	25.25	23.38	24.00	.13	.52	25.25	12.00	.51	.13	1.19	19.63	.71	.10 F	16.4	22.0	17.7	33.8	.05	.2	02-24-86	38.4	6.8	6.5	.00	4.42
Bristol-Myers	BMY	81.88	74.25	77.63	-1.13	-1.43	81.88	53.63	.11	-.04	.16	7.64	3.86	.42 Q	11.8	13.0	12.0	19.6	2.20	2.8	03-31-86	4444.0	531.4	2.5	.83	17.75
Carter-Wallace	CAR	66.25	57.50	60.75	.38	.62	66.25	32.38	-.05	-.19	-.18	31.88	2.66	.86 N	32.8	21.0	5.9	17.5	.60	1.0	04-14-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	38.63	32.00	36.75	-1.50	-3.92	39.38	21.13	-.19	1.89	1.40	-20.51	.73	.40 N	70.2	16.0	17.4	37.9	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	12.75	10.75	10.88	-1.25	-10.31	15.63	8.50	-.81	-1.41	2.18	49.37	-2.10	-2.11 Q	-100.0	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	19.38	17.50	18.25	.13	.69	19.38	7.13	.19	-.31	-1.35	-28.62	-.02	-.57 Q	-93.4	NC	-.5	NM	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	74.00	66.38	69.38	-3.63	-4.97	76.25	39.06	-.31	.37	-3.23	16.01	3.69	.31 F	9.2	11.0	15.8	18.8	1.80	2.6	05-09-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	25.00	15.63	24.50	7.00	40.00	25.00	4.63	.80	8.43	7.09	33.78	.40	.27 S	87.1	NC	6.6	42.2	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	14.75	14.00	14.00	-.25	-1.75	15.00	8.25	.02	-.81	-4.20	31.82	.78	-.10 N	-12.5	NC	4.1	20.0	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	69.75	62.50	64.75	-2.00	-3.00	69.75	31.25	.19	-1.12	2.13	11.36	.94	.45 N	52.9	41.0	12.2	49.8	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	180.50	170.00	175.50	-4.50	-2.50	183.00	102.25	.12	-.05	-1.41	8.10	7.58	1.15 Q	16.8	7.0	15.2	21.9	3.60	2.1	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	38.25	35.13	36.00	.50	1.41	40.50	30.00	.08	.24	-3.85	45.18	2.50	-2.66 N	-67.9	13.0	6.7	28.6	.70	1.9	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYL	27.13	22.25	24.00	.25	1.05	27.13	13.50	.41	-2.08	-.31	-2.25	.86	.34 F	65.4	79.0	25.6	27.9	.10	.4	12-27-85	80.8	20.7	5.9	.09	1.22
Newport Pharm	NWPH	7.50	6.88	7.00	-.88	-11.11	14.50	6.25	-.20	.06	-.18	29.42	.05	-.08 N	-100.0	NC	6.7	NE	.80	11.4	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.25	14.75	17.25	1.25	7.81	23.25	14.25	-.20	1.54	8.96	1.64	.47	.00 Q	.0	76.0	14.1	35.9	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	64.88	58.50	61.38	-2.50	-3.91	64.88	43.75	.09	.63	.44	9.65	3.44	.35 Q	10.9	16.0	14.4	17.3	1.64	2.7	01-27-86	4024.5	579.7	2.2	1.97	17.87
Reid Prov Labs	REID	11.00	10.50	10.50	-.38	-3.45	11.00	4.00	-.18	.24	-5.51	.00	.13	.06 S	46.2	28.0	6.0	55.3	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	13.63	11.13	11.63	-1.88	-13.89	20.38	5.50	-.58	-2.07	5.70	2.05	2.53	20.78 Q	NE	NC	8.7	4.5	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	39.50	37.50	38.50	-.75	-1.91	47.00	29.50	-.13	.40	1.18	-7.29	1.72	-.21 Q	-10.1	1.0	10.9	20.6	1.12	2.9	05-05-86	338.1	36.8	1.5	1.72	12.29
Scherer RP Co	SCHC	13.13	12.38	12.50	-1.13	-8.26	16.50	10.75	-.01	-.25	-2.30	12.68	-.43	-.96 N	NE	NC	-2.0	NE	.32	2.6	03-07-86	167.4	-3.4	1.7	4.07	9.72
Scher Plough	SGP	75.00	67.25	69.63	-1.38	-1.94	75.00	44.00	.13	-.69	.64	15.60	3.77	.43 Q	12.2	-1.0	10.0	17.6	1.80	2.6	04-28-86	1927.1	192.6	1.6	4.04	28.59
Squibb Corp	SQB	106.00	92.75	97.63	-1.13	-1.14	106.00	59.13	.04	.92	-1.55	.80	4.20	.64 Q	17.0	26.0	11.1	22.1	1.76	1.8	02-14-86	2041.7	226.6	2.1	3.52	27.41
Sterling Drug	STY	47.13	43.00	44.50	-2.00	-4.30	47.13	29.50	-.04	-.35	3.07	19.81	1.83	-.51 Q	-21.2	-2.0	6.3	23.4	1.32	3.0	05-02-86	1753.7	109.7	2.2	1.47	15.75
Syntex Corp	SYN	59.13	54.75	57.88	-.50	-.86	59.13	28.88	-.01	.17	-.52	-11.06	4.65	3.11 S	154.7	29.0	15.8	11.3	1.20	2.1	02-10-86	948.5	150.0	2.3	2.77	10.83
Thompson Med	TM	19.50	16.75	18.00	1.00	5.88	19.50	11.75	.62	1.50	2.49	28.77	1.18	-.75 Q	-39.5	8.0	8.1	15.7	.40	2.2	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	90.25	79.38	90.00	8.00	9.76	90.25	45.69	.09	1.90	2.97	-19.49	3.29	.85 Q	32.6	3.0	10.1	26.0	1.52	1.7	05-02-86	2017.2	203.0	2.1	6.08	20.88
Warner-Lambrt	WLA	59.38	53.88	55.13	-.88	-1.56	59.38	33.75	.08	-.46	-.22	-8.03	-4.05	-6.83 Q	-100.0	NC	-9.9	NE	1.56	2.8	02-03-86	3200.1	-315.6	1.4	4.47	11.12
Zenith Labs	ZEN	36.63	29.25	30.13	-3.38	-10.07	36.63	17.38	.06	-3.80	2.46	42.76	1.46	1.18 F	421.4	87.0	19.5	20.6	.00	.0	06-19-85	80.5	15.7	3.7	.17	3.41

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Drug stores test ways to firm ethnic H&BA lead

By Liz Parks

Drug store operators in 1986 are experimenting with a variety of strategies to exploit the traffic-building opportunities of the billion dollar-plus ethnic health & beauty aids category while still maximizing its profit potential.

As food and mass merchandise stores step up their own merchandising commitments to this fast-turning, high margin category, drug store operators are trying to consolidate their market share dominance by implementing programs designed to capture and hold the loyalties of black shoppers.

Most of the major drug chains have begun programs to build up the "visibility" of their ethnic department. Many are also trying to create a new price image by using promotional strategies that position their drug stores as "the place to buy major ethnic brands at competitive prices."

Starting in 1985 and continuing strongly into 1986, drug chains, in particular, have been doing the following:

- Expanding the overall size of ethnic sections.
- Adding variety to the product mix.
- Putting sections into stores with high counts of black traffic, rather than restricting the sections to stores in black residential neighborhoods.
- Promoting the category more aggressively and using a variety of advertising media, including rotos, radio, direct mail and select TV as well as newsprint ads.
- Adding new categories to supplement the basic hair care lines: ethnic cosmetics, skin care toners, creamers, hosiery, shaving preps, lip and nail care items.
- Cross-merchandising the category; giving secondary placement to hosiery, skin toners, shaving preps, hair colors and such in the general market sections.
- Staging more in-store promotions and product demonstrations on high-traffic days.
- Discounting more to offset competition from food, mass merchandise and deep discount drug stores; wholesale clubs; and the ubiquitous beauty and barber shops that seem to be springing up everywhere.

1985 Total black consumer H&BA purchases: $2.5 billion

Category	% of purchases	Dollar volume (000,000)
Hair care	41%	$1.025
Toilet preparations	23	575
Fragrances	13	325
Cosmetics	10	250
Dentifrices	8	200
Shaving preps	2	50
All others	3	75
Total	100%	$2.500

Source: Business Trends Analysts and AHBAI

- Taking advantage of manufacturer bonus packs and free trial-size packs to advertise "value" without sacrificing traditional 40% margins.
- Using manufacturer and distributor reps to train and inform salesclerks, cosmetologists and others responsible for in-store selling.
- Using product movement information to trim out slow sellers and improve turns.

Drug retailers say they are concentrating on the category not just because of its overall billion-dollar volume and high 40%-50% margins, but also because they sense that competition from the food and mass merchandise chains is heating up. They don't want to see their share of ethnic H&BA dollars erode as badly as general market H&BA dollars eroded when food chains and mass merchandisers began adding H&BA product sections to their stores some years ago.

"K mart, Wal-Mart, Zayre and the other mass merchandisers are really starting to do a job in this category," said one Midwest marketing executive for a major drug chain. "We already see margins eroding a bit, but we think

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MERCHANDISING TRENDS

Special report: Ethnic products

Merchandisers push to develop ethnic H&BAs

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that if we merchandise right and promote right, turns are going to go up. And if turns go up, as we see happening in some stores, and margins stay over 30% even on promotion, as we also see happening, the profits will be there."

The drug chains that retailers, manufacturers and distributors identify as doing the best job in this category include Walgreens, Thrifty, Revco, CVS, Longs, Peoples, Dart and Medi Mart.

Distributors and manufacturers also single out SupeRx, Eckerd, Rite Aid and Adams for acting to correct earlier merchandising problems and for making strides in developing the category.

'Drug retailers say they are concentrating on the category not just because of its overall billion-dollar volume and high 40%-50% margins, but also because they sense that competition from the food and mass merchandise chains is heating up.'

Many retailers, however, still describe ethnic health & beauty aids as "underutilized." Said one buyer for a Midwest chain, "With the possible exception of Walgreens, none of us has really taken the full measure of this category.

"If we can get 12% sales increases overall when we have out-of-stocks of 20% and better, and when we don't promote and don't discount, and don't have sections in all our stores and don't always have the right mix in the sections that stores do have, just think what we can do when we get it right," he added.

"Lots of retailers don't know yet exactly how to manage this category," said Jim O'Connor, director of public relations for Alberto Culver, which owns TCB Products.

"It's getting better because they're realizing how huge the market is out there. Blacks spend much more on health & beauty aids than the general market, and there are lots of men out there buying as well as women."

No longer a stepchild

Much of the improvement is coming from the way chains are treating the category. They are following Walgreens' lead and no longer thinking of the category as "a stepchild," to be put into stores only when there is 40% or more black neighborhood traffic.

Merchandisers and buyers for the major chains say they are realizing blacks don't just shop in stores within their neighborhoods. "The trend today," said one buyer, "is to try to identify how many blacks work or shop near individual stores. If you can determine that the traffic is there, then you put in a section even if the demographics of the neighborhood are only 2% or 3% black."

By the same token, chains are getting more willing to carry products designed to meet specific black care needs. Black consumers do have special skin and hair care needs, for example, so there is opportunity in carrying specialty products in categories like skin care, cosmetics, hair coloring or hosiery.

Skin care

Walgreens, Revco, Eckerd, SupeRx and Pathmark are some major chains adding brands like AMBI and Esirg skin care toners, creamers or cocoa butter soaps to their ethnic sections and, in some cases, to the general market section, where they are cross-merchandised.

According to some initial reports, the lines are yielding turns of six to eight a year so far, with little or no retail advertising. Margins are 40% to 50%, compared with 25% to 35% for most general market H&BA brands.

Some reports say older white women are also buying the ethnic brands to conceal dark spots and liver spots. Walgreens is buying some brands direct, and Wal-Mart is starting to stock the line.

Hosiery

CVS, Adams Drug, Medi Mart and Eckerd are all either testing or selling Afrotique ethnic hosiery.

Hair Color

Rite Aid, which has featured black hair color products in its ethnic sections, is now starting to cross-merchandise the best-selling brands in the general market hair color section. In many cases, according to a source, Rite Aid has moved them from the bottom to the top shelf to eliminate lost sales from people initially missing the product. Walgreens and Revco have done the same type of cross-merchandising.

In addition to adding variety to their ethnic departments and cross-merchandising more with sections in the general market, chains are expanding the sizes of their average ethnic product departments.

Expanding ethnic sections

Eckerd, which has been resetting and expanding many of its ethnic sections, is increasing allocations from an average 6-8 ft. in a middle aisle, sources say, to an 8-12 ft. average section located on a back or side wall close to cosmetics or general market H&BA.

Revco is expanding sections from an average 3-9 ft. to as much as 12-15 ft. in heavily trafficked stores.

Gray Drug Fair is expanding sections in high-traffic stores.

Hook Drug is going from 3 ft. to as much as 14-16 ft. in some cases.

Peoples, which like Walgreens consistently allocates high-traffic endcaps to featured ethnic brands, has an ongoing advertising program for its ethnic department. Generally, Peoples features different major brands each month in its ads.

As chains expand the section, they are also following Walgreens' lead in rolling it out to more eligible stores.

Thrifty is now rolling out ethnic sections to all its stores. Revco, SupeRx, Eckerd, and others are "evaluating" how many additional stores may be "legitimate" candidates for ethnic sections.

Retailers say the advantage in having as broad a "universe" of ethnic stores as possible is that one can, like Walgreens, advertise chainwide. Walgreens uses rotos to feature name brands every promotional period. The chain also uses radio, and there is talk that Walgreens may soon be testing an ad in one of the major black consumer magazines such as *Ebony* or *Essence*.

"Walgreens," said one competitor, "is sending a welcoming message to its black shoppers. Their ads are saying, 'We appreciate your business and we want it, and for your convenience we've made sure that you can find your favorite brands in any of our stores no matter where you may be.'"

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Top sellers in ethnic hair care

Moisturizers	*Curl activators and gels*	*Hair and scalp conditioners*	*Relaxer kits*
Care Free Curl 8 oz. Soft Sheen	Care Free Curl Activator, 8 oz. Soft Sheen	TCB Conditioner 8 oz. Alberto-Culver	Dark 'n Lovely Carson Products
Sta-Sof-Fro 8 oz. M & M Products	Worlds of Curls Gel Activator 6 oz.	Ultra Sheen Conditioner 2 oz. Johnson Products	Gentle Treatment Johnson Products
Luster S-Curl Activator Moisturizer 8 oz. Luster Products	Sta-Sof-Fro Curl Activator 8 oz. M & M Products	Murray's Pomade 3 oz. Murray's Superior Products	Revlon Relaxer kit
Lustrasilk Right-On Moisturizer Activator 8 oz.	Donnie's Curl Activator 8 oz. American Beauty Products	Royal Crown Hairdressing 5 oz. J. Strickland	Roux Cream of Nature Relaxer kit Revlon
	Luster's Curl Gel Activator 6 oz. Luster Products	Posner Bergamot hair dressing 3.5 oz.	Revlon Fabulaxer kit

Source: Judith Lynn Sales Inc.

Black H&BA '85 sales up 9% to $2.5B

There are two primary ways to define the ethnic products category.

The way the American Health and Beauty Aids Institute (AHBAI) prefers to do it is to define the purchasing power of all adult black consumers. By focusing on the approximately 28 million blacks in this country, the AHBAI is able to isolate their purchasing power at approximately $170 billion in today's dollars.

Using statistics and research done by Connecticut-based Business Trends Analysts, the AHBAI is pinpointing the total volume of all black health & beauty aid purchases at $2.5 billion in 1985, up about 9% over a year earlier.

The $2.5 billion reflects the black community's share of total health & beauty aid purchases, including black purchases of general market products like deodorants and mouthwashes, plus ethnic specialty products like curl activators and cream relaxers.

It's much harder to get a precise handle on the percentage of that $2.5 billion total black consumer purchases that are for products designed to satisfy specific black skin and hair care needs. Currently, there doesn't seem to be any research company tracking sales of specialized ethnic products in all product categories through all distribution channels. Conservative estimates range from about $1 billion to $1.4 billion, with the bulk of product sales comimg from hair care.

Business Trends Analysts, for example, estimates that about 41% of all black health & beauty aid purchases are in the hair care category. That would make black specialty hair care a $1.025 billion category in 1985, up about 10% over 1984.

According to the best estimates of researchers, ethnic product manufacturers, ethnic product distributors and ethnic product buyers, black specialty hair care products account for about 90% of total sales of black specialty health & beauty aids. If the 90% ratio is right, that would mean that the overall black specialty health & beauty aids category was approximately $1.5 billion in 1985.

However, there are also manufacturers who, based on their own internal research, say that the black specialty cosmetic market, which is currently underdeveloped in retail drug stores, is also close to $1 billion, with sales coming primarily from department stores, "mom and pop" beauty and barber shops and professional hair care salons. If this is so, needless to say, there is enormous potential here for drug store retailers.

In this section, *Drug Store News* concentrates on describing the ethnic product category in each of its two main senses: black purchasing power and all volume purchases of black specialty products.

In the stories that follow, *Drug Store News* will report on current black population growth and black purchasing habits and will also report on trends, growth areas and developments within the black specialty product categories.

MERCHANDISING TRENDS

Special report: Ethnic products

Drug stores boast 66% of ethnic hair care

Manufacturers and distributors who sell ethnic beauty aid products to chain drug stores have different opinions on how well the overall category performed in 1985.

Some say the overall category was flat in 1985, with strong growth occurring only in specific segments like hair color, relaxer kits, curl activators, gels and other conditioning aids.

Others agree with A. C. Nielsen, which estimates that sales in ethnic hair care, which is about 90% of all ethnic product sales, were up 7% overall to $266 million retail dollars at food, drug and mass merchandise stores. Sales specifically in drug stores were up a healthy 12% to $176 million.

Ethnic item sales peak $1B

Market research indicates that total overall ethnic product sales exceeded $1 billion in 1985. Nielsen, from its research, believes that chain drug stores, food stores and mass merchandise stores had about a 26% share of that total ethnic H&BA business. Beauty and barber supply shops, department stores and professional hair care salons accounted for the rest of the business.

Some manufacturers, however, think that food, drug and mass merchandise outlets had at least a 40% share of that total or about $430 million. According to Nielsen, drug stores had the dominant share of food, drug and mass merchandise ethnic hair sales: 66% of dollars compared with 25% for food and 9% for mass merchandisers.

Also according to Nielsen, drug stores are showing the strongest growth trends, up 12% in dollar sales in 1985 compared to food stores, which were up only 2%, and mass merchandisers, which were down 12%.

Manufacturers and distributors, however, report much stronger sales to food and mass merchandise stores, so the possibility exists that Nielsen may be underestimating their current growth rates. They may be increasing their share of total ethnic H&BA dollars at a rate faster than Nielsen's official numbers show.

Many retailers and suppliers believe this may be the case. "The food chains are getting much more aggressive," said Clifford French, director of marketing for American Beauty Products. "They're adding more sections, promoting more ethnic, and the wholesale clubs are also getting into the category. The mass merchandisers have always done a good job, and they're doing it even more aggressively today."

"Food stores are becoming much more knowledgeable in this product area," said Carmi Brittain, director of sales for M & M Products. "They're increasing the size of their sections, maintaining more aggressive pricing, and the drug chains are aware of the situation and starting to react."

Among other things, chains are reacting by promoting ethnic health & beauty aids more often and cutting margins back somewhat from their traditional 40% to 50% levels.

Sources say Revco now only takes a 22% margin on its everyday ethnic product lines and that the deep discounters like F & M and Drug Emporium take their usual 15% to 16% everyday margins.

Frank Shanower, vp-merchandising for Drug Emporium, told a panel of retailers at the latest American Health and Beauty Aids show in Palm Springs, Calif., that Drug Emporium, which is just putting ethnic sections into all its company stores, is taking the same markup on ethnic H&BA as it is on every other item in the chain.

"We don't charge black people any more than we'd charge white people," said Shanower. "There's no difference in profit margins for us. My distributors, however, say their margins are eroding." (*See story on page 36.*)

Margins erode

Steve Lund, asst. vp-merchandising at Perry Drug, who was on the same ethnic retail panel, agreed that competition from other retail segments like deep discount drug stores and food stores would impact margins negatively. "If they're all getting more into it, margins will be reduced," he said.

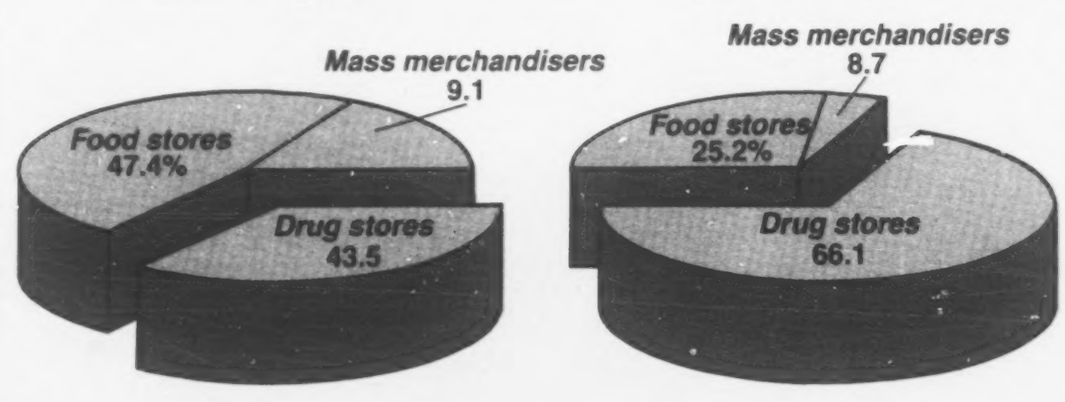
Ellis Jones, senior merchandising director for Revco, another participant in the AHBAI panel discussion, also conceded that even though ethnic is still one of the drug store's most profitable categories, the category is "beginning to get more competitive, and as that happens, margins will erode."

Because of the competitor, suppliers think drug store executives will be even more aggressive in the category in the next 12 months:

"To protect their dominance, you'll see drug stores promoting more in the future," said Charles Smith, director of marketing for Pro-Line. "Chains may decide to do one planogram for all stores with reasonable black traffic. They'll probably expand space allocations, and they'll have to look at overall pricing.

Ethnic hair care sales vs. 59 total H&BA categories

(Share of dollar sales in retail outets: 1985)



Source: A. C. Nielsen

Ethnic hair care: Average unit prices by retail outlet type

	Drug stores		Food stores		Mass merchandisers	
	Avg. price	% change	Avg. price	% change	Avg. price	% change
1984	$3.94	3%	$3.24	4%	$3.86	3%
1985	3.79	(4)	3.33	3	3.32	(14)

Source: A. C. Nielsen

Ethnic hair preps: Product Category

(Share of Sales)

	Unit share		Dollar share	
	1982	1985	1982	1985
Conditioners/hair dressings	47%	35%	29%	23%
Blowout/Relaxers	11	8	21	16
Comb easy	17	26	17	26
Curl activator	17	26	20	27
Hair spray	3	2	2	1
Perm curl kits	5	3	11	7

Source: A. C. Nielsen

Ethnic hair preps: Division of sales by product category

	$ sales	Unit sales
Curl activators	27.0%	26.6%
Comb easy	26.0	25.6
Conditioners/hair dressings	23.0	35.2
Relaxers	15.4	8.0
Curl kits	7.0	3.0
Hair sprays	1.5	1.7

Source: A. C. Nielsen

Walgreens may become the first major drug chain to launch an ethnic co-op advertising program as already utilized by variety and discount stores such as Woolworth.

Ethnic hair preps: Annual dollar sale trends (millions)*

	Drug stores		Food stores		Mass merchandisers		Total	
	$ sales	% change	$ sales	% change	$ sales	% change	$ sales	% change
1981	$100	72%	$38	12%	$28	65%	$166	52%
1982	124	24	45	18	41	46	210	27
1983	138	11	58	29	44	7	240	14
1984	157	14	66	14	26	(41)	249	4
1985	176	12	67	2	23	(12)	266	7

*Retail sales only excluding beauty and barber shops.

Source: A. C. Nielsen

Ethnic hair preps: Annual unit sales trends*

(In millions)

	Drug stores		Food stores		Mass merchandisers		Total	
	Units	% Change	Units	% Change	Units	% Change	Units	% Change
1981	30	50%	15	(1%)	9	29%	54	23%
1982	34	13	16	7	12	33	62	15
1983	36	6	19	19	11	8	66	6
1984	40	11	20	5	7	(36)	67	2
1985	47	18	20	0	6	(14)	73	9

*Retail sales only excluding beauty and barber shops

Source: A. C. Nielsen

Special report: Ethnic products

MERCHANDISING TRENDS

Views on ethnic H&BA performance are mixed

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"If there is a beauty and barber shop around the corner, then it's necessary to price more aggressively. There will probably be more use of black radio to reach the consumer, too. They're relying on rotos too heavily overall now. If you're going to reach the black consumer, you need radio. Ninety per cent of all blacks listen to radio," he said.

'There will probably be more use of black radio to reach the consumer, too. They're relying on rotos too heavily overall now. If you're going to reach the black consumer, you need radio. Ninety per cent of all blacks listen to radio.'

—Charles Smith
director of marketing, Pro-Line

"Space allocations will increase," said Lou Roppolo, vp-marketing of professional products at Revlon. "If you want the black consumer to know you're in the business, you have to make the departments big enough to offer a variety of selections. Walgreens is very aggressive with that now and with promotions, and so are Thrifty, Peoples and Dart."

"I think you'll see margins cut back to about 30% in drug stores over the next three to four years," said Jim McKelroy, national sales manager for J. Strickland.

"Zayre is doing an excellent job with ethnics," said one distributor. "They're the leader in ethnics. K mart, however, is also doing more today. They have 100-ft. sections in some stores. Wal-Mart is doing more. Stop 'n Shop is getting more involved in it; so is Vons out on the West Coast.

"Drug chains will have to promote more, become price competitive and pay attention to the details of their business and their mix of products," he added.

However, "the biggest problem with drug chains," said Lou Ornstein, president of Judith Lynn Sales, "is that some will not advertise if they only have departments in stores with 40% black traffic. They can't build loyalty or an image with that kind of philosophy.

Walgreens devoted much shelf space to ethnic hair preps.

Ethnic hair preps: Share of $ sales by retail outlets

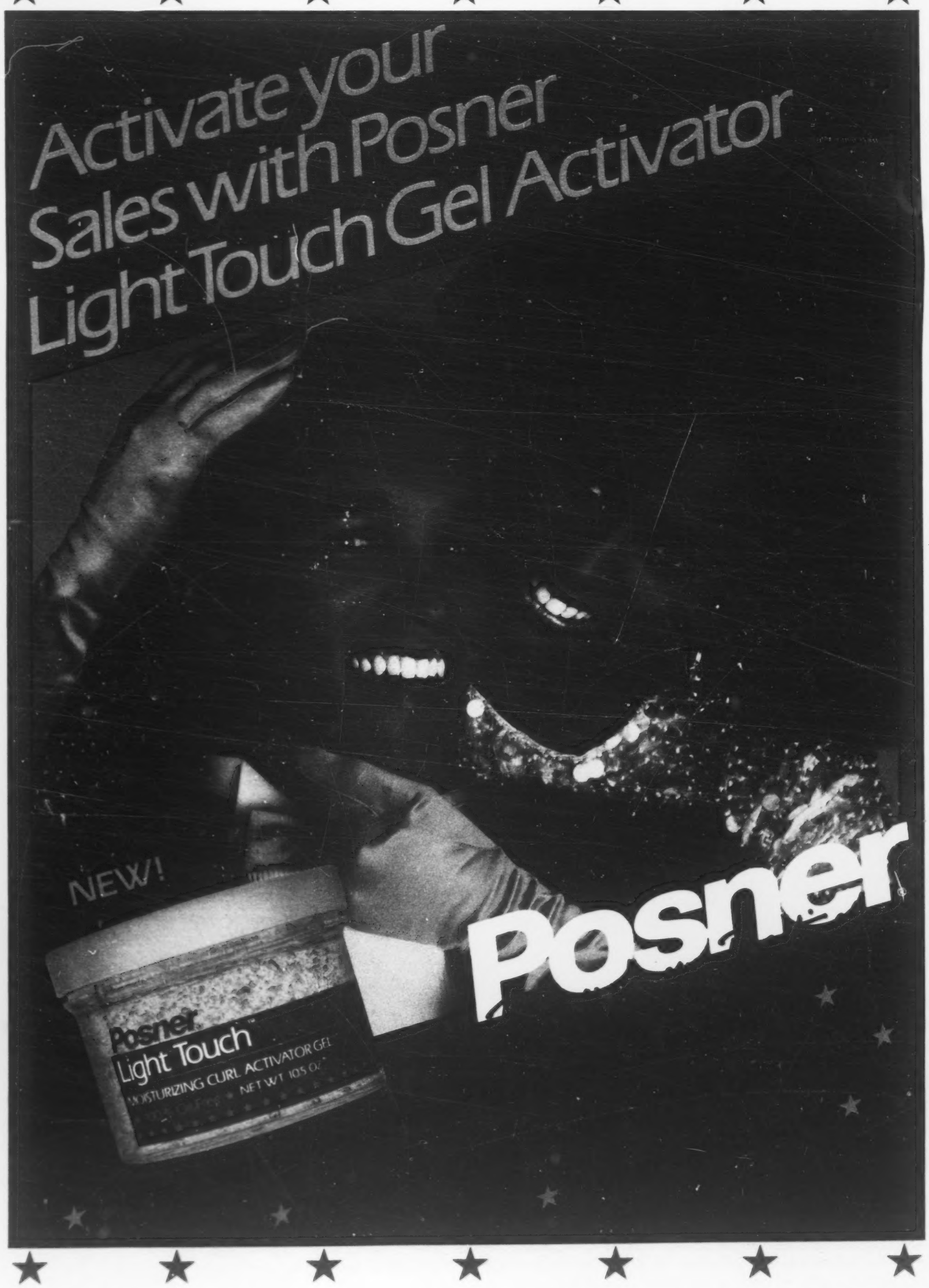
	Drug	Food	Mass merchandiser
1981	60%	23%	17%
1982	59	21	20
1983	58	24	18
1984	63	27	10
1985	66	25	9

Source: A. C. Nielsen

Ethnic hair preps: Share of unit sales by retail outlet types

	Drug	Food	Mass merchandiser
1981	53%	31%	16%
1982	55	27	18
1983	54	28	18
1984	60	30	10
1985	64	28	8

Source: A. C. Nielsen



Facts

Continued from page 22

Hair relaxers chemically straighten the hair and enable it to be styled in a variety of ways.

In 1980, an older way of relaxing the hair was re-introduced with the name "the curly look." Years ago, McKelroy says, the curly look was called the "cold wave."

To maintain the curly look, however, a number of accessory products are necessary, including curl activators and moisturizers, which are used to give the hair more bounce.

Because of their frequent use, curl activators are the fastest-growing segment within the hair care category today.

MERCHANDISING TRENDS

Special report: Ethnic products

Blacks' spending on H&BA expected to keep going up

In 1980, according to the U.S. Bureau of the Census, there were approximately 26 million blacks living in the United States. By 1990, the U.S. Census estimates, there will be about 31 million. Today, there are about 28 million blacks, most of them living in the Southwest, the Midwest and the Northeast.

Demographic studies show that approximately half of the black population is 24 years old or younger. In contrast, the median age for whites is 29.

Possibly because of their youth, blacks purchase and use health & beauty aids, especially personal grooming products, at a much higher rate than their white counterparts. The most common estimate of black H&BA purchasing patterns is that blacks spend three to five times more on health & beauty aids than do whites.

In 1984, for instance, at a time when blacks constituted just 12% of the U.S. population, they accounted for 35% of all hair care sales as tracked by Business Trends Analysts. Today, the American Health and Beauty Aids Institute (AHBAI) said their research shows that blacks are spending "up to five times more on personal care products than the average consumer."

The census is projecting a population of about 31 million blacks by 1990, with an estimated purchasing power of about $200 billion. Business Trends Analysts is projecting that black purchases of health & beauty aid products will soar to $5.6 billion by 1993.

The bulk of these purchases is expected to come from the approximately 10 million adult black females now living in the United States, although the approximately nine million adult males are also heavy users of personal grooming products.

The preteen and teen markets are also very attractive, as half of all blacks are under 24 years of age and at a stage in their lives when looks and beauty are extraordinarily important to them.

One indication of the potential of this category for retailers and manufacturers is that black female homemakers spend almost twice as much as white female homemakers for such general market products as children's vitamins or baby oils and lotions.

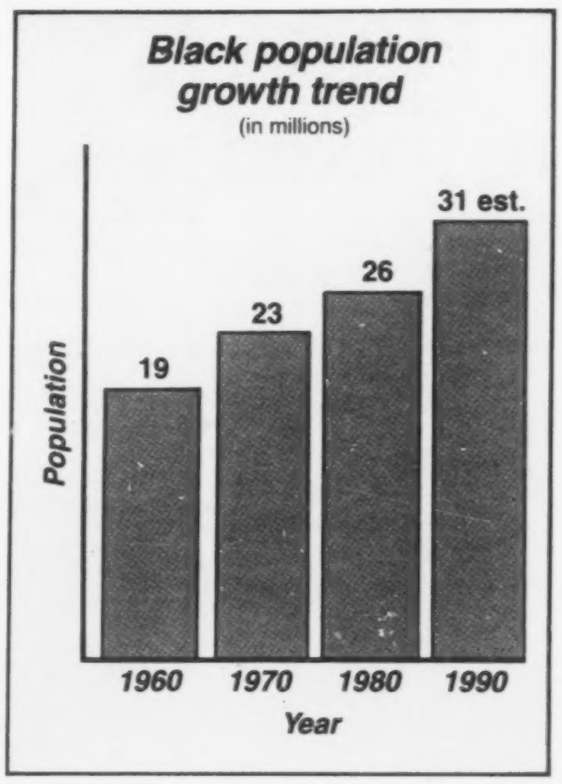
According to Simmons Research in New York, black women compared with white women buy children's vitamins at a ratio of 155 to 92. They buy baby oils and lotions, says Simmons, at a ratio of 163 to 91.

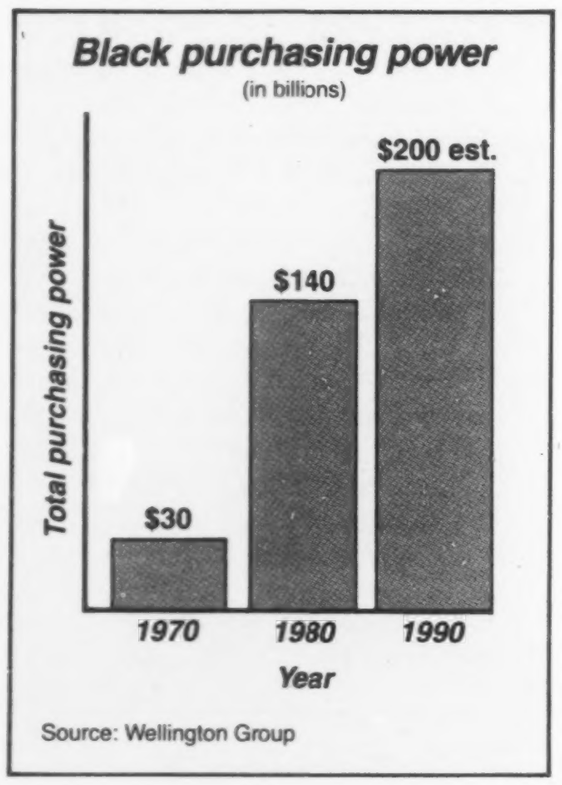
The black population is also marrying at a faster rate than are whites, setting up two-person households faster and having children faster. According to the U.S. Census, black married couples increased 130% from 1970 to 1980, while white married couples only increased 113%.

Blacks are also upwardly mobile. In 1970, blacks had a per capita income of $1,304. In 1980, per capita income had climbed to $5,385, and in 1990, it is projected to reach $6,452, according to statistics from the Wellington Group and U.S. Census Bureau.

Today, more blacks are going to and graduating from college. According to Lafayette Jones, AHBAI executive director, at the latest count there were approximately one million blacks in college. He also said that the percentage of blacks in professions such as law and medicine is increasing two to seven times faster than that of any other group.

"The black market is here to stay," said Jones. "It's growing. It's important, and it can make a difference in profitability in the retail drug store."





Black and white purchasing habits

Select categories	Female homemaker indices: Black	Female homemaker indices: White	Black spending ($ in millions)
Baby oil and lotion	163	91	$ 10.5
Baby powder	131	95	10.8
Disposable diapers	153	91	195.4
Premoistened cleaning wipes for babies	107	99	15.6
Children's vitamins	155	92	114.6
Air freshener sprays and room deodorizers	123	96	16.9
Floor wax and polish	167	92	26.3
Plastic garbage bags	124	97	10.1
Corn/tortilla chips, snacks	120	97	9.7
Potato chips	131	96	31.4

Source: Simmons research

Black female homemakers spend almost double what white female homemakers spend on general merchandise according to Simmons Research, New York. Particularly noted are children's vitamins and baby lotions and oils.

Cities with highest per cents of black populations

City	% of pop.	Black pop (000)
East St. Louis	95.6%	52.8
East Cleveland, Ohio	86.5	32.0
East Orange, N.J.	83.5	64.6
Compton, Calif.	74.8	60.8
Prichard, Ala.	73.7	29.1
Gary, Ind.	70.8	107.6
Washington, D.C.	70.3	448.2
Atlanta	66.6	282.9
Detroit	63.1	758.9
Newark	58.2	191.7
Inglewood, Calif.	57.3	54.0
New Orleans	56.3	308.1
Birmingham	55.6	158.2
Baltimore	54.8	431.2
Camden, N.J.	53.0	45.9
Richmond, Va.	51.3	112.4
Wilmington, Del.	51.1	35.9

Source: U.S. Census Bureau SMSI estimates

Drug stores firming grip on lead in ethnic H&BA

Ethnic hair care: Recommended shelf allocations
Blow out and cream relaxers 21%
Curl activators 20%
Comb easy conditioning, moisturizers 17%
Conditioners 28%
Curl kits 12%
Hair sprays 2%
Source: American Health and Beauty Aids Institute

Continued from page 18

Retailers say advertising is growing more important in their plans to build the ethnic products department. Sources say more attention is being paid to the purchasing power of black consumers, to the gains blacks have made in professional status, to the mobility of blacks and to their strong commitment to the use of health & beauty products.

Every retailer *Drug Store News* talked to mentioned that blacks make five times as many health & beauty aid purchases in dollars as whites. Retailers also said they realize radio is an excellent medium for reaching black shoppers, but that to use it effectively, chains need to have ethnic products in enough stores to cover the advertised marketplace.

So far, a handful of drug chains have reached the point at which radio pays off at least in select key black markets.

Pricing

In some advertising, price is the main theme of the commercial. This is not true across the board, however, and it seems to hold true only in those markets where chains face heavy competition from food, mass merchandise, deep discount drug stores or wholesale clubs like Wal-Mart's Sam's Wholesale Clubs.

Walgreens, for instance, is judged "super competitive" virtually always on its advertised prices, but only relatively competitive on its everyday pricing.

Eckerd is also considered competitive on advertised specials but is so high most of the time on everyday prices that shoppers in some regions, sources say, tend to "cherry pick" the store's ethnic departments, buying the ad items but ignoring the everyday selection.

Revco doesn't advertise much, but the chain has already developed an excellent price value perception. Sources say Revco's everyday ethnic prices recently have been averaging about 22% margins, the lowest mention for any chain except deep discounters like Drug Emporium and F & M.

Fashion advertising

Not all of the new advertising, however, is focused on price. Walgreens, for example, is becoming a leader in promoting black "fashions."

In a recent ad, Walgreens promoted Posner's Fire Fox line of ethnic lipsticks, stressing not price, but "fashionability." The lipsticks in the ads were priced at full $1.99 to $2.79 retails, but, according to several sources, they sold "very well," and Walgreens is reportedly considering repeating the promotion this fall.

Walgreens also recently took out a full color back page ad in the Lifestyle section of the Chicago *Sun Times*, as well as in a major Houston newspaper. The ads, which took advantage of co-op dollars from Soft Sheen, featured the manufacturer's new Color Accent line. Walgreens did a similar ad with L'Oreal featuring its hair coloring products.

Beginning in 1985, a lot of retailers began building their advertising around bonus packs put together by manufacturers. The packs included bundled products (buy one 10-oz. jar, get the attached 10-oz. jar free), extra ounces (get an 8-oz. pack for the price of a 6-oz. pick), and free trial samples (buy an 8-oz. shampoo and get a free 8-oz. bottle of the new conditioner).

'Every retailer *Drug Store News* talked to mentioned that blacks make five times as many health & beauty aid purchases in dollars as whites.'

Bonus packs

Retailers in 1986 said the packs worked so well they are clamoring for more. Manufacturers say they are eager to cooperate. (*See story on page 21.*)

Pathmark, for example, bought a truckload of Donnie's bonus packs on the 8-oz. curl activator softener lotion and the 99.5% 8-oz. glycerin last fall.

The manufacturer, American Beauty Products, packaged two extra bonus ounces in each regular 8-oz. package and backed up the promotion with free in-store product demonstrations in select food and drug stores. Promotion included radio ads with free taglines for Pathmark, plus in-store premium giveaways: T-shirts and trial sizes.

K mart will be doing a similar promotion this summer.

Gray Drug Fair did a bonus promotion with Carson Products last fall on Dark 'n Lovely. According to a source, the promotion was backed by radio and newsprint ads and was highlighted by super low prices and free premiums such as a lipstick with a mirror and mini-light.

Sales, said a source, quadrupled over the four-hour afternoon demonstration period. When K mart did a similar promotion, sources said, they sold $800 of Dark 'n Lovely in four hours; normally they would have done less than $200 in four hours.

Another nice traffic builder—relatively new for drug chains but familiar to food and mass merchandise stores—is in-store product demonstrations or giveaways.

Soft Sheen, Carson and other ethnic manufacturers arrange with a store manager to have part-timers or reps come on a high-traffic day and either demonstrate how the product can be used to style hair or remedy a hair or skin care problem. During that demonstration, they'll also give away free samples or premiums. In many cases, too, the manufacturer gives the retailer free advertising exposure by "tagging" participating stores in radio or newspaper ads.

Walgreens, Osco and Perry have been particularly successful with this traffic-building, margin-protective strategy, sources say.

Because more chains are realizing that sales opportunities are lost when clerks or cosmetologists can't take advantage of suggestive selling opportunities, there is also a trend to inviting manufacturers down to regional or national sales meetings to train or educate company executives and field staffs, particularly those who, being white are not familiar with how to use the ethnic products.

Training sessions

Revco is doing regional training meetings with manufacturers like Carson Products. Longs has invited national ethnic manufacturers to attend their trade show in Hawaii later this year.

Walgreens, for the fourth year straight, will be bringing major manufacturers like Soft Sheen to its yearly seminar for company cosmetologists.

"Between out-of-stocks and the lack of suggestive selling in some of our stores," said one retailer, "who can tell how many sales we lose? I feel it's substantial. These educational programs help us address that. I'd like to see manufacturers do more of them." (Manufacturers say they intend to do more of them. *See story on page 21.*)

Out-of-stocks

Out-of-stocks have traditionally been a problem for retailers in this category, even for Walgreens, whose programs everyone seems to admire. Some sources say the out-of-stock problem in ethnic averages higher than 25% a year.

Part of the problem is that many sales in this category are generated around the first and the 15th of the month, when many consumers receive government checks. To stay in stock during these two weeks, retailers must overstock during the off weeks.

Both retailers and manufacturers say they don't see any easy answers to this problem, but there is some hope that as chains perfect their working relationships with the "better" distributors, the out-of-stock situation should improve.

Other sources also say that as chains start developing product movement reports on those lines that are self-warehoused, the situation should get better. Walgreens was the first chain to self-warehouse ethnic brands, and their out-of-stock record, although not perfect, is the best in the industry, suppliers say. Currently, SupeRx, Revco and Peoples are warehousing many of the lines they carry, and Wal-Mart, as part of the trend for mass merchandisers to develop the category, planned to begin self-warehousing this spring.

One source estimated that Wal-Mart's approximately $20 million a year in ethnic sales will "triple" once they get the warehouse program established. (*See related story on page 24.*)

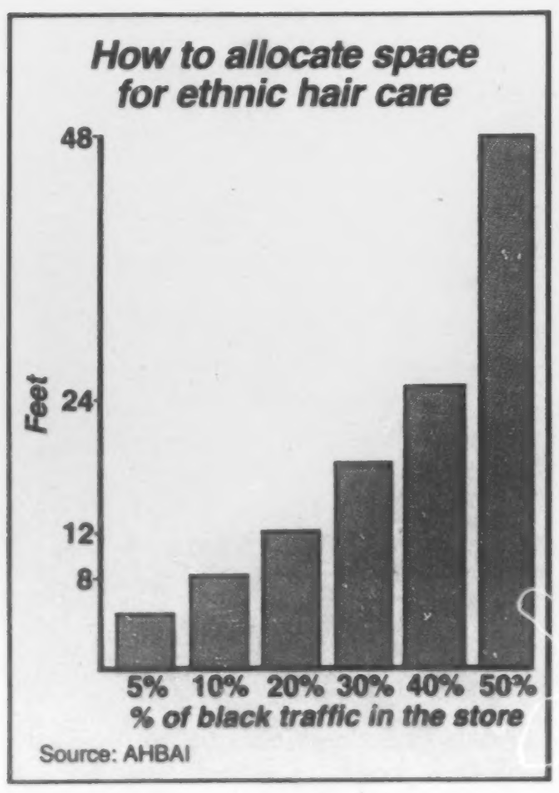
Also, some manufacturers claim the out-of-stock problem could be minimized if chains gave more facings to the better-selling advertised brands. Chain buyers say they can't expand facings for any brand "too much" because, well-advertised or not, there are always strong-selling regional brands that customers want to see in their stores, and there is not enough space to give expanded facings to "national" brands while also covering the regional favorites.

'Walgreens was the first chain to self-warehouse ethnic brands, and their out-of-stock record, although not perfect, is the best in the industry, suppliers say. Currently, SupeRx, Revco and Peoples are warehousing many of the lines they carry, and Wal-Mart, as part of the trend for mass merchandisers to develop the category, planned to begin self-warehousing this spring.'

However, many manufacturers believe that situation will resolve itself in a year or two. The major manufacturers are beefing up their advertising and promotional programs, trying to build up market share across the country. They believe that as these campaigns start to work, the "weaker" regionals will lose favor and retailers will be able to eliminate them more easily.

Several of the major manufacturers made the point that to be practical, retailers should be giving shelf allocations and expanded facings to the manufacturers who are advertising to support their brands.

Retailers also said they will be weeding out the slower movers. "More chains today are warehousing their own ethnic brands and relying on distributors or well-informed buyers to tell them which new products to bring into the system," said one marketing vice president.



MERCHANDISING TRENDS

Drug stores mine fast-stop appeal of card depts.

Test offbeat lines, extend footage

Greeting card customers' increased demand for convenience is prompting drug stores to remerchandise and extend department footage.

Forays this year by leading vendors into the growing alternative card segment have pushed chains even further into establishing cards as a core profit center.

Chains such as Revco, Rite Aid and Wellby are boosting sales and profits by expanding exposure, relocating departments, and using upgraded fixtures. While they are committed to traditional card lines, where sales are growing due to fuller selections, stores are testing new alternative lines, including Hallmark Cards' 800-sku "Shoe Box Greetings," American Greetings' "In Touch" offering, and Gibson's latest contemporary nonoccasion series.

Smaller drug chains are also looking for a distinctive niche in the contemporary card area by carrying lines from the growing ranks of alternative card companies, such as California Dreamers. The five-year-old Chicago business has placed its Color Photography and Mother Goose and Grimm lines into chains, including Bartell Drugs and Ashton Drug Center in the state of Washington, Sentry Drugs in Florida, and Wegman's Food and Drug stores in New York.

It will attempt to beam into drug stores this year with a licensed "Star Trek" line, featuring color photos of the TV series stars with humorous quotes.

Aiming to double profits from cards this year, Revco is doubling linear feet in a majority of its stores; moving cards from the rear to the front, next to cosmetics; and adopting fixture lighting for its American and Gibson selections.

Hallmark, which analysts say has encountered some market erosion in recent years, may have made the biggest splash this year: Its Shoe Box line features humor about modern situations, with contemporary graphics for both occasion and nonoccasion sending. It accompanied the launch—the largest single product line in its history—with new pricing and free fixtures. The terms include pricing at 45¢, 10% off the typical wholesale price on a $1 retail card.

Mirroring society

The pricing underlined Hallmark's approach to the contemporary segment, where vendors say nonoccasion cards and offbeat and humorous sentiments are mirroring changing attitudes in society. Walgreens, Long's, Osco and CVS have picked up Hallmark's new line.

"It's a bold stride into the contemporary market, where they have never been prominent, and that looks very interesting," said Dan Herrmann, Fay's president and coo, about Shoe Box. But while Fay's is trying the line in many of its stores, Herrmann said the verdict is still out on the alternative segment: "We don't know to what degree the customer is going to pick up on the contemporary lines."

> **"The move should about double greeting cards' share of total sales from 2.2% to 4.2% and push profits from 21% of total profits to as high as 40%."**
> **—Phil Carfagno**
> *merchandising manager*
> *Revco*

Other retailers are more convinced of the cards' potential and are already getting results.

"We're seeing a lot of action in the alternative card lines," said Margaret Matteson Urquhart, Wellby's director of merchandising. "And we feel that there's a demand based on changing lifestyles."

Wellby's is supplementing selections from American Greetings and Ambassador with cards from six different alternative card companies in creating in-store "card shops" of either 200 or 120 linear feet in 32 stores, Urquhart said.

Alternative lines

Alternative lines—from vendors such as Blue Mountain, Recycled Paper, Mark I, Renaissance and Moodz—help create an image of a wide selection in the "shops," which are also picking up American's 144-sku "In Touch" series and Ambassador's new eight-line promotion, which includes The American Collection and Odd Lot Greetings.

Wellby's puts the shops in its 10,000-sq.-ft. stores in the right rear corner of a race track. In its 5,000-sq.-ft. units, they are in front of the rear wall pharmacy and adjacent to seasonal. "We position the card department so that it is very visible and accessible to prescription customers," said Urquhart.

These impulse displays of traditional and alternative card lines have helped to boost sales and profits per square foot, she said.

Revco is boosting card sales to about 5% of total chain sales by expanding cards from 48 to 84 ft., where it has achieved maximum return in store tests, said Phil Carfagno, Revco's merchandising manager.

The move should about double greeting cards' share of total sales from 2.2% to 4.2% and push profits from 21% of total profits to as high as 40%, Carfagno said.

Revco is eliminating its run of speed tables to position the cards next to cosmetics, to capture the female customer who accounts for 90% of card purchases.

Rite Aid is picking up "In Touch" with spinners and endcap displays to add to its 108- and 112-ft. American Greetings selection.

Cut footage

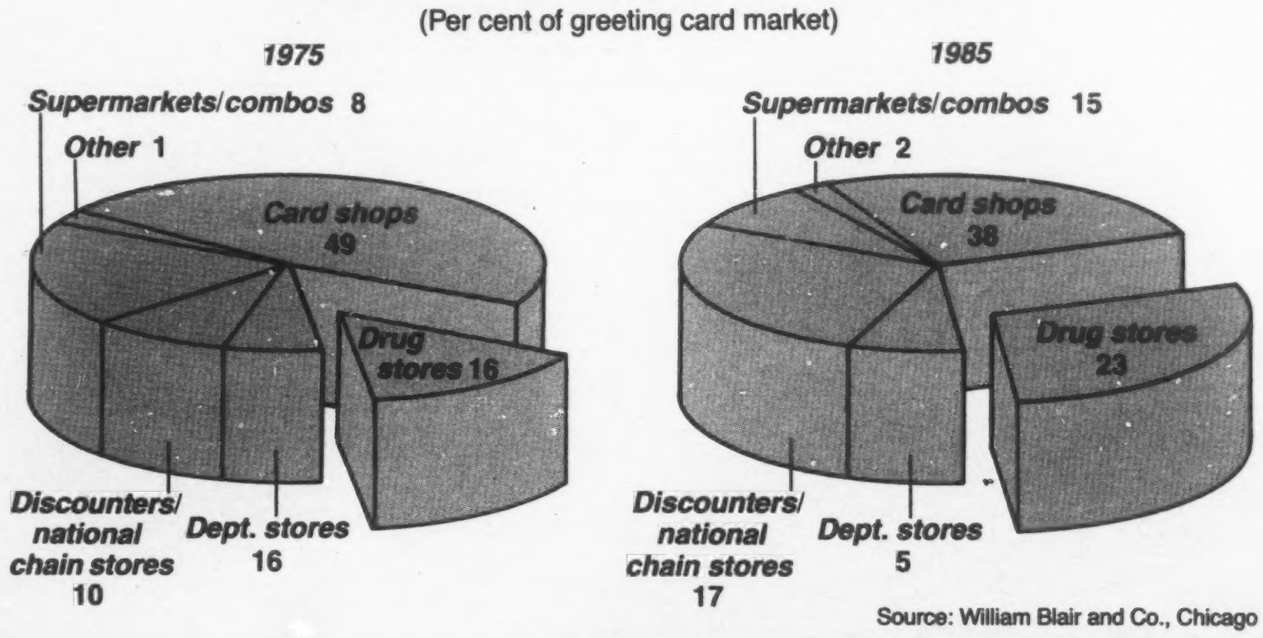
The chain's existing footage had been larger three years ago, but was cut to achieve the best ROI. "We cut back to the point where we feel we are getting the maximum amount of sales with the minimum amount of footage," said vp-merchandising Gerry Cardinale.

Last year, Rite Aid installed American's new oak-paneled fixtures with re-angled tiers that expose cards more toward eye level.

Drug stores have continued to expand market share because they offer quick-shopping visit convenience and about 70% of their customers are women, who buy the most greeting cards.

Drug Stores slice larger card market piece

(Per cent of greeting card market)



Source: William Blair and Co., Chicago

Surprising Facts About Cards

- The average adult buys about 30 cards a year.
- Greeting cards account for 50% of all personal mail sent from household to household.
- Retail card sales are about $3.2 billion and seven billion cards annually. Chain and independent drug stores now have about 23% of the market, up 50% in the past three years. This trend will continue, with 20% annual growth predicted over the next few years.
- Card retails range from 35¢ to $7.50, with the average price at about $1.
- Women buy 90% of all greeting cards. Half the cards purchased are seasonal and the rest every day; nonoccasion card sales are on the rise.
- The most popular card-sending holidays are, in order, Christmas, Valentine's Day, Easter, Mother's Day, Father's Day and Graduation.

Source: Greeting Card Association

Walgreens flanks greeting cards in a Chicago store with gift wrap and accessories and endcaps of pegged post cards and invitation notes.

It Could Be Verse

(Match column A with the correct column B)

A	B
Having a dog is just like having a man around. You say all the same things: din, din, shut up, go to bed . . . and . . .	I was educated once and it took me years to get over it.
Don't criticize my eating habits:	That way we won't have to buy costumes.
Inside every older person,	I'll be available next month.
Congratulations Graduate.	I've got a chocolate chip on my shoulder.
Let's go out as nerds on Halloween.	Get off me!
Want a beautiful body in 30 days.	There's a younger person wondering what happened. Happy birthday!

Verses courtesy of Hallmark, Gibson, California Dreamers, Chippendales.

MERCHANDISING TRENDS

Vendors see DPP plans in cards for drug stores

Supermarket models show department's profit potential

Direct product profitability programs have yet to be applied extensively to greeting card departments in drug stores, although retailers seem intuitively aware of cards' high profit capability.

Vendors' and retailers' work with DPP card models in supermarkets should approximate the results to be gotten when applied to drug stores. However, supermarkets have developed DPP systems for food and other gm items for meaningful comparisons. Drug stores will also have to set up such models for their major product lines—a difficult task for the multicategory drug store environment—before DPP measurements can be used effectively in one category, vendors and retailers told *Drug Store News*.

Studies of card profitability by supermarkets unsurprisingly reveal cards' high profit capabilities. With their low handling costs, minimal inventory and floor space requirements, low spoilage and easy checkout ability, and exceptionally high profits, they figure well in computer models relating costs to benefits.

"DPP is still not in wide use in any channel, although supermarkets are on the leading edge," said American Greetings spokesman Jeff Jones.

"It's a discussion point," Jones noted.

Wellby is one drug chain that has moved further in this direction than many, since its parent, Hannaford Brothers, has created DPP models for its supermarket product lines.

Margaret Matteson Urquhart, Wellby's director of merchandising, said the chain this year will develop DPP models for all drug store product lines.

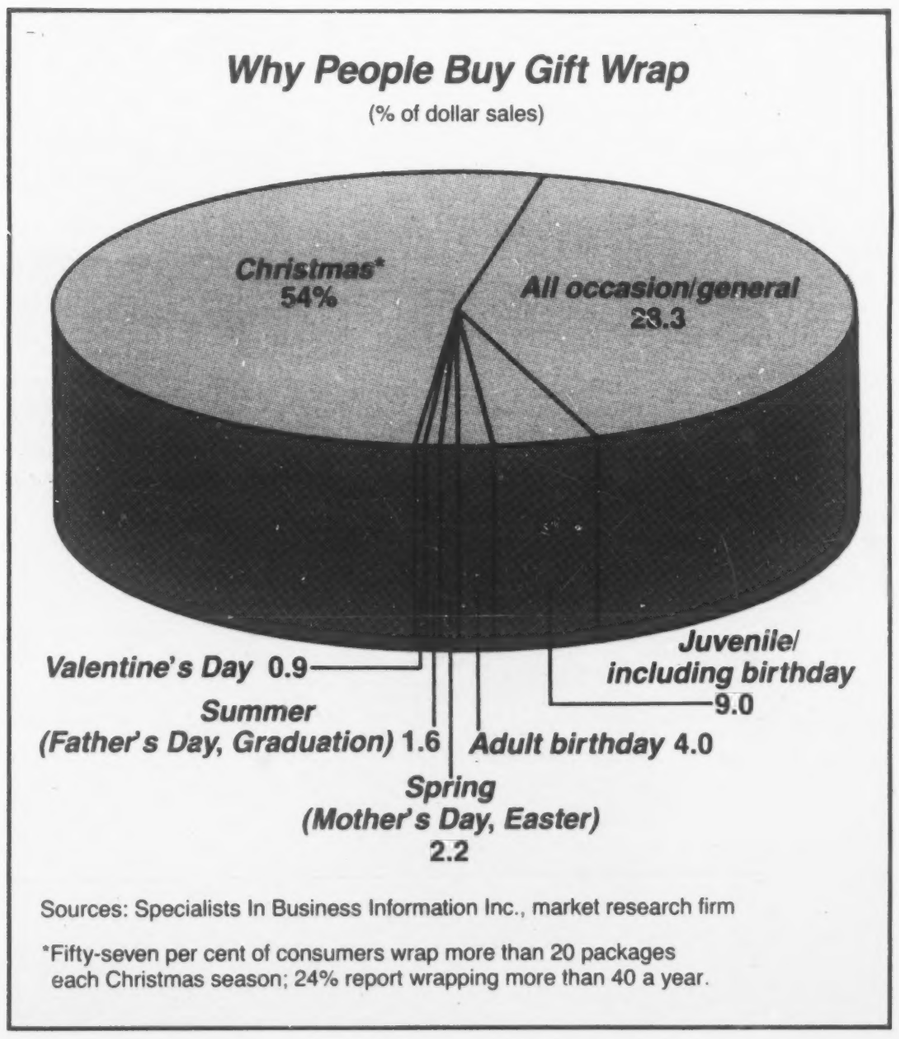
"We would use the same kind of calculations we use in the supermarkets, but change the variables, such as handling and labor costs," said Urquhart, adding that she expects drug store greeting cards to show the high profits achieved in the food segment.

> 'Wellby's this year will develop DPP models for all drug store product lines.'

With cards providing 50% gross margins, fully 93% of the gross profit becomes direct product profit, or net profit, with only the remaining 7% necessary to cover variable costs, Urquhart said.

Hallmark's Ambassador Card division, meanwhile, said it has developed a DPP model, which it termed "the first application of DPP cost accounting to the greeting card industry." A spokesman said the model was built for supermarkets. "We have made some projections for drug chains, but in order to get the project to be meaningful, you have to make a lot of assumptions on other [product lines] costs," the spokesman said.

Sales of holiday cards, as shown at Drug Emporium in northeast Philadelphia, are losing share to popular nonoccasion cards.



Sources: Specialists In Business Information Inc., market research firm

*Fifty-seven per cent of consumers wrap more than 20 packages each Christmas season; 24% report wrapping more than 40 a year.

Basic gift wrap items sell best, high-ends slower, chains say

The gift wrap drug chains sell the most is basic paper, bows and gift tags in matched contemporary patterns. Two-sheet flat fold and wrap packs are the most heavily promoted, merchandising executives told *Drug Store News*.

High-end foil and film wrap, migrating from the department stores, is reported to be less successful by several chains, who will be concentrating on the basic uncoated paper again this year.

"If you upgrade the pattern in basic, you're all right," said one merchandising manager for a major Eastern chain. "I'd have to see another year of very strong sales before I'd make another commitment in foil. I'd rather upgrade the pattern first," the manager added.

Fay's experienced flat sales in metallic wrap and will be cutting back on high-end wrap as a result, according to president and coo Dan Herrmann.

"There will be quite a few step-ups eliminated this Christmas. We felt we reached a little too high up in the step-up lines," he said.

Buyers conceded there's an upgrade in consumer tastes. But the new fashion designs that customers want at drug stores haven't swung into the corner of the higher price-point wraps.

Coordinated paper, bow and gift tag packs retail every day at $1.95, but move particularly well on promotion at 2-packs for $3. Two-sheet flat fold has become another year-round promotional item.

Cleo Wrap, for instance, has targeted drug stores with its recent introduction of Petite-Petite coordinated gift wrap and accessories.

Patterns on the 15-in.-tall rolls repeat often to make the paper suitable for wrapping cosmetics and other small gift items normally found in drug stores.

Greeting cards, which will probably soon be enhanced by direct product profitability programs at drug stores, are commanding increased footage at chains nationwide. Already, Drug Emporium (left) and Walgreens (right) devote significant space to the department, whose sales grew 14.2% in 1985. Drug stores have raised their share of the nation's greeting card business to about 23% and are expected to increase that between now and 1990.